BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of a Summary Investigation Into IntraLATA Toll Access Compensation for Local Exchange Carriers Providing Telephone Service Within the State of Minnesota

ISSUE DATE: May 12, 1988

DOCKET NO. P-999/CI-85-582

ORDER APPROVING COMPLIANCE FILINGS

PROCEDURAL HISTORY

On November 2, 1987, the Minnesota Public Utilities Commission (the Commission) issued its Findings Of Fact, Conclusions of Law and Order and Order Initiating Summary Investigations (November 2, 1987 Order) in this proceeding.

On January 11, 1988, the Commission issued its Order After Reconsideration (January 11, 1988 Order) in this proceeding. In the November 2, 1987 and January 11, 1988 Orders, local exchange carriers (LECs) providing telephone service within the state of Minnesota were directed to submit intrastate access tariffs in compliance with those Orders.

On March 11, 1988, LECs serving customers in Minnesota submitted compliance filings to the Commission.

Interested parties had 30 days to submit comments in response to the compliance filings. By April 11, 1988, comments were received from Northwestern Bell Telephone Company (NWB), AT&T Communications (AT&T) and the Department of Public Service (DPS). Due to the substantive comments submitted by NWB, parties were notified that they could submit replies to the comments by
April 25, 1988.

Replies were received from Central Telephone Company (Centel), the Residential Utilities Division of the Office of the Attorney General (RUD-AG), the Minnesota Independent Coalition (MIC), GTE North Incorporated (GTE), Mid-Communications, Inc., and Contel of Minnesota (Contel).

FINDINGS AND CONCLUSIONS

The comments and responses on the compliance filings either addressed general concerns with the method used by some or all of the LECs, or concerns that were specific to an LEC. The Commission will make its findings and conclusions on the issues of general concern and then address issues specific to individual LECs.

I. Issues of General Concern

A. Customer Premises Equipment Costs

The issue before the Commission is whether to direct that 1987 phased out customer premises equipment (CPE) costs be removed from the LECs' 1987 test year.

In CC Docket 80-286, the FCC froze selected costs related to CPE as of December 31, 1982. These frozen costs were phased down over a 60 month period beginning January 1983 and ending December 31, 1987.

In the "582" case, the Commission ordered that a 1987 test year be used to develop intrastate access charges.

In its comments, NWB stated that the individual LECs' support documentation indicated that the 1987 phased out CPE costs had been included in the LECs' access revenue requirements. NWB argued that including these phased out CPE costs in the 1987 test year would result in the LECs continuing to charge the designated carrier (DC) and other interexchange carriers (IXCs) for costs that are not appropriate for the period of time the DC plan is in effect.

In response to NWB's comments, Centel, the MIC, Mid-Communications and GTE argued that no adjustment should be made to LECs' revenue requirements for the CPE phase out. Centel, the MIC and Mid-Communications explained that several other major changes occurred between 1987 and 1988. In addition to the CPE phase out, these included conversion from Part 31 to Part 32 accounting rules and conversion from Part 67 to Part 36 separations rules. These changes, which the companies believed were likely to increase the LECs' revenue requirements, were not allowed to be reflected in the 1987 test year.

The Commission finds that the costs related to CPE were phased out ending December 31, 1987, and were, therefore, fully recovered as of that date. To allow the LECs to keep the 1987 phased out CPE costs in the access revenue requirement would allow the LECs to continue to recover those costs over the entire period the access rates would be in effect.

The Commission disagrees with the comparison made between CPE costs and the conversion from Part 31 to Part 32 accounting rules and conversion from Part 67 to Part 36 separations rules. The

FCC required the phase out of CPE costs well before this proceeding was initiated. Alternatively, the FCC order adopting the new Part 36 separations rules was not released until May 1, 1987, which was after the record of this proceeding was closed.

The Commission also finds that CPE costs are a known and measurable amount to the LECs, whereas, the effects of the new Parts 32 and 36 are uncertain. (See Commission findings at page 6 of the January 11, 1988 Order.)

The Commission concludes that it will direct the LECs to remove the 1987 phased out CPE costs from the 1987 test year.

B. Access Related Services Under Contract

1. Equipment, Space and Power

The issue before the Commission is whether to direct that all expenses and revenues associated with equipment, space and power (ES&P) be removed from the LECs' access revenue requirement.

According to NWB, ES&P are one of the access-related services that are being handled under contract. NWB argued that some LECs had included ES&P related costs in their revenue requirement calculations. Additionally, based on the information supplied by some companies, NWB could not determine how ES&P costs were treated.

NWB explained that to the extent LECs' had failed to fully exclude the costs associated with ES&P, they had overstated their revenue requirements and CCLC. NWB recommended that each LEC identified by NWB should be required to explain in detail its treatment of ES&P costs and to remove all ES&P costs from its revenue requirement and CCLC calculations.

The Commission finds that ES&P contracts cover the costs of the equipment, lease of space, and power used by one company's facilities located in the central office of another company. Under the current settlements arrangements, the contractual rates are established by dividing total ES&P costs between the companies according to the amount of investment each company has in that central office.

The arrangement proposed by the MIC member companies in their compliance filings was to allocate ES&P costs across all services including access services. The MIC indicated that this method was proposed because the MIC did not believe that NWB would provide it with the necessary information to calculate the percent of each company's investment by central office. The Commission finds that NWB has indicated that it will continue to provide the MIC with the necessary information to continue the present arrangement for recovering ES&P costs.

Additionally, the Commission finds that ordering paragraph 2(f) at page 19 of the January 11, 1988 Order stated:

> The revenue requirement, expenses and revenues generated by non-access and access-related

services shall be excluded from the calculation of each local exchange carrier's intrastate toll access revenue requirement and the calculation of the CCLC, but shall be retained in the regulated base and regulated books of account.

Based on the above findings, the Commission will direct that the expenses and revenues related to ES&P be removed from the LECs access revenue requirements in accordance with ordering paragraph 2(f) of the January 11, 1988 Order. The expenses associated with ES&P shall be recovered through contracts similar to the current arrangement.

2. Uncollectibles

The issue before the Commission is whether to direct that all end user toll uncollectibles be removed from the LECs' access revenue requirement but that uncollectible access amounts be included in the development of access rates.

NWB explained that it was contemplated that intraLATA toll uncollectibles would continue to be handled on a contractual basis and an industry committee is currently developing a contract that would provide LECs with compensation associated with intraLATA toll uncollectibles. NWB argued that since intraLATA toll uncollectibles will be a contract matter, and LECs will continue to be compensated for uncollectibles under contract, any costs associated with such uncollectibles should have been excluded from LEC revenue requirement calculations.

The Commission finds that interLATA end user toll uncollectibles are currently handled under contract. The parties agreed that intraLATA end user toll uncollectibles can also be handled on a contractual basis. The Commission concludes that it will direct that end user toll uncollectibles be removed from the LECs' access revenue requirement.

The Commission finds, however, that access uncollectibles are appropriately recovered in the access revenue requirement. Therefore, the Commission concludes that uncollectibles related to access amounts may be included in the access revenue requirement calculations.

C. Detariffed Billing and Collection

The issue before the Commission is whether to require average schedule companies to file documentation that revenues and expenses associated with the detariffed billing and collection (B & C) services have been removed from access.

Average schedule companies have, in the past, received two types of settlements, "A-1" settlements and "B" settlements. The "A" settlements are for common line, inside wire, traffic sensitive, and billing and collections. The "B" settlements include B-2 and B-5 settlements. B-2 is a Billing and Collecting Settlement Schedule for the automatic message recording function (the recording of the details of a customer message and the entering of that detail on a magnetic tape or other media). B-5 is a Billing and Collecting/Traffic Sensitive Settlement Schedule for the automatic number identification function (identifies the telephone number of the access line initiating a call in order

to send this information to the message accounting system).

NWB stated that the LECs, in calculating revenue requirements, multiplied "A" function settlements by 13.4 percent to obtain an amount to represent the detariffed billing and collection costs. However, no documentation was provided to substantiate the appropriateness of this percentage and NWB did not know whether use of this percentage results in the removal of an appropriate amount of billing and collection costs.

The MIC explained that the 13.4 percent factor was appropriate and representative of the B&C related revenues to be removed. The MIC stated that it would provide complete documentation concerning the development of the 13.4 percent factor to any party upon request.

The Commission finds that in its November 2, 1987 Order in this proceeding, the Commission directed that traffic recording and identification services should remain tariffed. Therefore, the revenues and expenses associated with these services, and reflected in the B-2 and B-5 settlement schedules, should remain in the access revenue requirement.

With regard to the "A" schedule settlements, the Commission finds that the average schedule companies have used a 13.4 percent factor to represent the detariffed billing and collection costs. The Commission finds that the MIC shall file with any party, upon request, the documentation to support the use of the 13.4 percent factor. Parties can review the calculations supporting that factor and file any complaints with the Commission.

D. Incorrectly Mirrored Rates

The issue before the Commission is whether interstate rates must be mirrored.

Under the Commission's January 11 Order in this proceeding, cost-based LECs with fewer than 15,000 subscribers were allowed the option of mirroring their interstate traffic sensitive access rates, with the CCLC residually determined, to recover their intrastate access revenue requirement.

NWB argued that GTE, Ace, Bridge Water, Lakedale and Sherburne each filed rates that do not mirror the higher interstate rates. NWB stated that this leaves a larger amount of the revenue requirement to be recovered through the residually set CCLC.

The Commission finds that the rate proposed by GTE for recording does not mirror its interstate rate because interstate recording has been deregulated by the FCC. The rate proposed by GTE does mirror GTE's current interstate rate for recording offered under contract. Therefore, the Commission will approve the rate proposed by GTE for recording.

The Commission agrees with NWB that the rates proposed by four MIC member companies, Ace, Bridge Water, Lakedale, and Sherburne, do not mirror their respective interstate rates. However, the Commission finds that by mirroring their interstate traffic sensitive rates, these four companies would over-recover their access revenue requirement and would have to establish a negative CCLC.

The MIC proposed that these four companies apply two-thirds of the reduction in the revenues recovered through the CCLC to originating and one-third to terminating with the balance needed to produce a $0.01 originating CCL rate adjusted in the traffic sensitive local switching rates. The MIC argued that its proposal adopted the Commission's directive that no LEC reduce its originating CCLC below $0.01 per minute of use.

The Commission finds that it is appropriate that reductions in access revenues be reflected in the residual amount recovered through the CCLC rather than through rate reductions which result in non-mirrored rates if mirroring has been previously approved as in this proceeding. However, the Commission does not believe this approach is appropriate if the practical effect of maintaining the mirror is the establishment of a zero or negative CCLC. Therefore, the Commission concludes that Ace, Bridge Water, Lakedale and Sherburne should establish originating and terminating CCLCs of $0.01, and apply the remaining reduction necessary to prevent over-recovery of the access revenue requirement to the LS2 traffic sensitive rate. Although this approach violates the original mirroring requirement, it avoids the unreasonable result of a negative CCLC for the four companies affected.

E. Local Transport Termination Application

The issue before the Commission is whether the local transport termination rate should be applied to all minutes or only to those minutes where the termination service is provided.

NWB argued that Contel, Centel, East Otter Tail, Twin Valley-Ulen and General proposed to charge their local transport termination rate element to all minutes of use even where they did not provide the termination service. NWB stated that under this rate design IXCs would be required to pay the termination rates twice, first to the company providing the equipment and second to the LECs above. NWB recommended that companies apply their local transport termination rate element only in those locations in which they provide the facilities.

Centel explained that its local transport termination rate element was calculated by taking the revenue requirement for Centel-provided termination equipment and dividing it by all minutes of use, including end office minutes where Centel does not provide the local transport termination. The result, according to Centel, is that IXCs ultimately pay only Centel's revenue requirement and do not pay twice.

Centel said that this rate development is consistent with the National Exchange Carrier Association's (NECA's) and many other LEC's method, allows the LEC to properly recover its revenue requirement, is easy to administer, and reduces the potential for IXCs to selectively discriminate against offering services to end offices providing the termination function. The method used by East Otter Tail, Twin Valley-Ulen, GTE and Contel was the same method used by Centel.

The Commission finds that proper rate design requires that LECs charge the local transport termination rate element only to those minutes of use where they actually provide the termination service. Therefore, the Commission concludes that cost-based LECs with more than 15,000 subscribers must recalculate their local transport termination rate element to recover the associated

revenue requirement based only on termination minutes of use where the LEC provides the local transport termination service. Average schedule companies and cost-based companies serving fewer than 15,000 subscribers have the option to continue mirroring the interstate local transport termination rate. However, these LECs must apply that rate only to minutes of use where the company actually provides the local transport termination service and must adjust their residual CCLC accordingly.

F. Uniform System of Account (USOA) Matters

The issue before the Commission is whether adjustments should be made to the test year data to account for the expensing of working station connections.

NWB explained that the USOA, Part 31, required that when "working station connections" were replaced, the costs should be expensed. As LECs changed over from average schedules to a cost method of settlement, an adjustment was usually required because the replaced plant had been retired and the new plant was capitalized. An agreement between the LECs and NWB was reached whereby an adjustment was made in each cost study to reflect expensing, instead of retirement and capitalizing. NWB paid its share of those costs up front to eliminate the bookkeeping process of the expense.

According to NWB, some companies adjusted their books to reflect the restated costs while other companies did not. The companies that did not adjust their books continued to make an adjustment in their cost study each year. Based on the information in this proceeding, NWB could not determine if this adjustment was made to the test year data. NWB requested that the LECs be required to explain how this matter was treated in their compliance filings and to make any necessary corrections.

The MIC stated that corresponding adjustments were not made to test year data. The MIC argued that this did not result in double recovery as NWB claims. The MIC added that the amounts involved are not substantial, but the adjustments could be made if the Commission ordered.

The Commission finds that the LECs are able to make adjustments to the test year data to reflect past amounts paid by NWB and that such adjustments are reasonable and appropriate. The Commission concludes that it will direct the LECs to make the adjustments to the 1987 test year and submit them and the revised revenue requirement as part of the revised compliance filings.

G. Account 323 Contribution

The issue before the Commission is whether to require LECs to provide documentation as to why each of the charitable

contributions listed in their access revenue requirement should be allocated to toll.

NWB stated that nearly all of the LECs included an item called "contributions" in their revenue requirement calculations. At a minimum, NWB believed that each LEC should identify the recipient and provide an explanation as to why each of the contributions should be allocated to toll and included in the access charge rate elements.

The MIC stated that account 323 contributions included in the revenue requirement were amounts booked by the respective independent LECs in 1987. The standards for inclusion in cost studies in prior years were determined using NARUC standard procedures, according to the MIC. The MIC explained that detailed analysis of charitable contributions was not performed due to the relative insignificance of the amounts and the other significant issues to be addressed for the large number of filing LECs.

The Commission finds that the inclusion of charitable contributions in an LEC's access revenue requirement results in all intrastate toll customers paying a portion of those contributions. The Commission finds that donations to charities are most likely to provide a local benefit. Therefore, charitable contributions are more appropriately recovered from local subscribers of that LEC, rather than the IXCs which purchase access for their toll services.

Based on the above findings, the Commission will require all LECs to eliminate USOA 323 charitable contributions from their intrastate access revenue requirement. However, LECs may submit a specific filing requesting inclusion of the contributions in the access revenue requirement which identifies the amount and source of the contribution. Upon receipt of a specific filing, the Commission will make an individual determination as to whether such contribution may be included in the access revenue requirement.

H. Demand Substantiation

The issue before the Commission is whether any action should be taken if actual demand under the Designated Carrier Plan (DCP) varies substantially from projected demand.

NWB stated that it was unable to submit comments regarding the appropriateness of access demand upon which the filings are based because of the lack of historic usage data and backup provided by the LECs. NWB requested that if actual demand by NWB under the DCP varies substantially from the demand used in these filings, NWB reserves the right to comment on this matter at a later time.

The MIC explained that the access tariffs submitted by the independent LECs are based upon 1987 revenue requirements and 1987 demand units. NWB previously argued for, and the Commission rejected, use of 1987 revenue requirements with projected 1988 demand units. The MIC argued that NWB's comments imply that NWB may renew this argument in the event that its "actual demand," which is presumably 1988 demand, is different from the 1987 units on which the access filings are based. The MIC stated that this argument will have no more merit than it had when originally raised by NWB because matching of revenue requirements with demand units is the key concept.

The Commission finds that the LECs have filed 1987 test years, which include 1987 demand units. It would be premature to judge whether demand under the DCP will vary significantly from the demand units filed in this proceeding. Since NWB is not precluded from filing a complaint at any time, the Commission finds that no action is necessary at this time.

I. Non-Access and Ancillary Contracts

In its comments, Contel provided the Commission with a list of non-access and ancillary services and facilities that Contel presently provides to intrastate IXCs on a contractual basis. Contel requested that, due to the large number of contracts, it provide copies of sample contracts to the Commission so that the Commission can determine which contracts it would like to have on file.

The types of services provided under these contracts include the following company-wide contracts: accounting services; billing, collecting and remitting; directory, local operator and associated services; intraLATA foreign exchange service agreements; feature group A compensation; equipment, space and power; intrastate/intraLATA private line service agreement; and EAS agreement-metro area circuit facility rental agreement. Contel also has contractual arrangements by location for EAS and pole attachment/duct space rental.

The Commission finds that many of the non-access and ancillary services provided under contract are provided under a standardized contract for that service. Therefore, the Commission concludes that it will allow the LECs to file price lists and copies of standardized contract forms with attachments to distinguish unique and specific schedules for each LEC in lieu of filing actual contracts for non-access and ancillary services. To allow parties adequate time to meet the revised filing requirement, these price lists and contract forms shall be filed on or before June 2, 1988.

II. Company Specific Issues

A. Clara City and Sacred Heart Telephone Companies

The issue before the Commission is whether corrective action should be taken when the appropriate frozen subscriber plant factor (SPF) for Clara City and Sacred Heart telephone companies are known and whether such action should be prospective in nature.

NWB stated that the SPF used in the development of toll costs for the Clara City and Sleepy Eye telephone companies is from the telephone companies' initial feasibility study. The data to develop a "frozen SPF" was not available at the time of the compliance filing. NWB requested that corrective action be implemented to insure representative access charges when this data is made available and the appropriate frozen SPF can be calculated.

The MIC clarified that the SPF used in the development of toll costs for Clara City and Sacred Heart telephone companies are from their initial studies. The MIC stated that if any material change from the initial data is determined when that information is available, an amendment can be made. The

MIC stated that such an amendment should be prospective in nature, however, since the possibility of a difference between actual and study period data is always present.

The Commission finds that when Clara City and Sacred Heart telephone companies do develop the data to calculate their frozen SPFs, adjustments should be made to the access charges of these two telephone companies. However, such adjustments shall be prospective in nature. Prospective adjustments are proper because the estimated SPFs filed in this proceeding are from the initial studies of these two companies. These initial studies were agreed to by NWB at the time they were conducted and are the best estimate available at this time.

B. East Otter Tail and Twin Valley-Ulen

In the original comments submitted regarding the compliance filings of East Otter Tail and Twin Valley-Ulen telephone companies, several areas of non-compliance with the Commission's November 2, 1987 and January 11, 1988 Orders were cited.

First, the two companies included their recording and rating costs in their local switching rate element. However, the rating function was detariffed by the Commission and should not have been included in the access revenue requirement. Additionally, by including recording in the local switching rate element, the rate would be applied per minute of use rather than per message when the recording function is provided.

Second, East Otter Tail and Twin Valley-Ulen used a state income tax rate of 12 percent instead of the effective 9.5 percent rate.

Third, the two companies included revenue from special access charges in the calculations of their CCLC revenue requirement.

Finally, East Otter Tail and Twin Valley-Ulen had proposed to impose a $0.50 end user access charge without providing any justification for the charge.

Subsequent to the receipt of the comments on their filings, East Otter Tail and Twin Valley-Ulen have submitted revised tariff pages. The revisions include removing rating costs from the access revenue requirement, establishing a separate per message rate for recording for those messages where the service is provided, using the 9.5 percent state income tax rate, removing the special access surcharge from their revenue requirement calculations, and eliminating the proposed end user access charge.

In making these revisions, the Commission finds that the compliance filings of East Otter Tail and Twin Valley-Ulen are now in compliance with Commission Orders, subject to the changes required by this Order.

C. GTE North Incorporated

On February 17, 1988, the Commission issued its Order Adopting Committee Recommendation in Docket Nos. P-999/CI-85-582, P-999/CI-87-696. The February 17 Order, at page 4, stated:

> The Commission will order all LECs to apply the entire access revenue reduction ordered in the "582" case to revenues recovered from the originating CCLC. However, no LEC should reduce its originating CCLC below $0.01 per minute of use.
>
> If an LEC's originating CCLC rate would be reduced below $0.01, the LEC should propose an alternative method for allying the access revenue reduction using the 2-to-1 reduction described in the January 30, 1987 report. Additionally, small LECs which would have widely diverging originating and terminating CCLCs if the entire reduction were applied to the originating CCLC shall be allowed to propose an alternative method based on the 2-to-1 reduction.

In its compliance filing, GTE has proposed an originating CCLC of zero and a terminating CCLC of $0.0482. The Commission finds that GTE's calculations are not in compliance with Commission Orders. GTE agreed that a revision to its proposed access tariff was necessary to reflect an originating CCLC of $0.01 per minute of use, with a corresponding adjustment to its terminating CCLC to recover the appropriate residual revenue requirement.

The Commission concludes that it will approve GTE's compliance filing subject to the company filing an originating CCLC of $0.01 with a corresponding adjustment to its terminating CCLC to recover the appropriate residual revenue requirement, and any other Commission directives in this Order affecting GTE's compliance filing.

D. Mid-Communications and Mankato Citizens Telephone Companies

The Commission finds that there was disagreement among the parties concerning the local transport mileage used in Mid-Communications and Mankato Citizens Telephone Companies' compliance filings. The Commission finds that Mid-Communications and Mankato Citizens's compliance filings will be approved contingent upon the inclusion of corrected V&H information calculated according to FCC #4 and any other adjustments required by this Order.

E. Halstad

In comments submitted on Halstad Telephone Company's compliance filing, parties argued that Halstad used an 11.65 percent rate of return instead of the Commission approved 11.59 percent rate of return.

The Commission finds that subsequent to the filing of parties' comments, Halstad submitted a revised filing reflecting an 11.59 percent rate of return. Therefore, with regard to the rate of return used by Halstad, the Commission concludes that the telephone company is now in compliance with Commission Orders.

F. Contel

In Contel's compliance filing, the company indicated that it would submit price lists for the billing and collection service agreement it is currently negotiating with NWB when negotiations are completed. The company also indicated that its agreement with AT&T for billing and collection services is proprietary and

confidential. The parties agreed that the terms of the agreement will not be disseminated or otherwise published in any manner to any third party.

The Commission finds that Order paragraph 2(h) of the January 11 Order states:

> Each local exchange carrier shall file price lists for the detariffed ancillary services and documentation to demonstrate that the proposed prices at least recover cost.

Additionally, Order paragraph 2(n) of the January 11 Order, as amended herein, requires that contracts for non-access and ancillary sevices be provided to the Commission.

The Commission concludes that price lists and contracts for billing and collection services must be filed with the Commission to be in compliance with Commission Orders. Any information filed with the Commission that is proprietary in nature will be treated as such by the Commission.

III. DPS Report On Local Rates

With the withdrawal of East Otter Tail and Twin Valley-Ulen's proposals to implement an end user access charge, the Commission finds that no LEC is proposing to increase local rates as a direct result of this proceeding. The Commission is concerned about the effects on local rates of the interim DCP. The Commission also finds that, in its evaluation of the DCP, information regarding the impact on local rates of the plan is required. Therefore, the Commission will direct the DPS to submit a report one year from the issue date of this Order. This report shall evaluate the effect, if any, the establishment of the DCP had on local telephone rates and shall include information regarding whether any non-pre-rate regulated LEC has increased its local exchange rates during the one year period.

IV. Approval of Compliance Filings

Based on its review of the compliance filings, the comments of all parties, and subject to the above ordered revisions, the Commission will approve the compliance filings submitted by those LECs with Minnesota exchanges. Those LECs without a Minnesota exchange, but serving Minnesota subscribers, will be permitted to use the respective intrastate access rates each charges in the exchange serving the Minnesota subscribers.

The Commission concludes that one copy of the revised compliance filings shall be submitted by June 2, 1988 to the Commission, the Department of Public Service, the Residential Utilities Division, Northwestern Bell Telephone Company, AT&T and any party to this proceeding which requests a copy.

Finally, the only LEC with a Minnesota exchange that has not submitted a compliance filing is Barnesville Telephone Company. It is the Commission's understanding that Barnesville is preparing a compliance filing for submission to the Commission. The Commission is prepared to take further action if a filing is not received by June 2, 1988.

ORDER

1. Local exchange carriers shall remove all customer premise equipment investment from their 1987 test year to be consistent with CC Docket 80-286 which phased out CPE costs by December 1987.

2. All expenses and revenues related to Equipment, Space and Power shall be removed from the local exchange carriers access revenue requirements but retained in the regulated base and regulated books of account. Northwestern Bell Telephone Company shall continue to provide the local exchange carriers with the information necessary to calculate the percent investment by central office for the purpose of allocating the costs related to the provision of Equipment, Space and Power.

3. End user toll uncollectibles shall be removed from the local exchange carriers' access revenue requirement calculations and recovered under contract with the interexchange carriers. Uncollectibles related to the provision of access shall remain in the access revenue requirement calculations.

4. The average schedule companies treatment of A-1, B-2 and B-5 settlement schedules as described herein is hereby approved. Services associated with B-2 and B-5 settlement schedules shall remain under tariff. The Minnesota Independent Coalition, on behalf of the average schedule companies, shall file documentation regarding the calculation of the A-1 amount upon request.

5. The rate proposed by GTE for recording service is hereby approved.

6. Ace, Bridge Water, Lakedale and Sherburne telephone companies shall establish originating and terminating carrier common line charges of $0.01, and apply any remaining reduction necessary to prevent over-recovery of their access revenue requirements to the LS2 Premium and LS Transitional traffic sensitive rates.

7. All cost-based local exchange carriers serving more than 15,000 subscribers shall recalculate their local transport termination rate as described herein. All local exchange carriers shall apply the local transport termination rate element only to those minutes of use where they provide the service and, where applicable, make adjustments to their residual CCLC if necessary to recover the access revenue requirement.

8. All local exchange carriers shall make adjustments to their test year data to account for the expensing of the costs of working station connections and any past amount paid by Northwestern Bell Telephone Company.

9. Local exchange carriers shall remove all USOA account 323 charitable contributions from their intrastate access revenue requirement. A local exchange carrier may submit a request to include Account 323 charitable contributions in its access revenue requirement. The request must include the amount and source of the charitable contribution that the carrier proposes to include.

10. Ordering paragraph 2(n) of the January 11, 1988 is changed to read as follows:

> Local exchange carriers shall be allowed to file a list of those services each proposes to classify as non-access services to be offered under contract and those features of access where unique circumstances lend themselves to contract. Price lists and copies of standardized contract forms for non-access services with attachments to distinguish unique and specific schedules shall be filed by each local exchange carrier by June 2, 1988, or as executed, whichever is later.

11. Clara City and Sacred Heart Telephone Companies shall make prospective adjustments to their test year revenue requirement and make changes to their access rates where necessary when data is developed to calculate their frozen subscriber plant factors. These adjustments and access rates shall be filed with the Commission and the Department of Public Service when available.

12. One year from the issuance date of this Order, the Department of Public Service shall submit a report on the effects on local telephone rates of the establishment of the interim Designated Carrier Plan. This report shall provide information regarding whether any non-pre-rate regulated local exchange carriers have increased their local exchange rates during the one year period.

13. GTE North, Inc. shall revise its proposed intrastate access tariff to reflect an originating CCLC of $0.01 per minute of use, with a consequent adjustment to its terminating CCLC to recover the appropriate residual revenue requirement.

14. Mid-Communications Telephone Company and Mankato Citizens Telephone Company shall include corrected V&H information calculated according to FCC #4 in their intrastate access tariff filing.

15. Contel of Minnesota, and all local exchange carriers, shall file price lists and contracts for the detariffed ancillary services as indicated in Order paragraph 10. Information identified by companies as proprietary will be protected under the Commission's standard proprietary agreement policy.

16. The compliance filings submitted by each local exchange carrier with Minnesota exchanges are approved subject to the above ordered revisions. A copy of the revised compliance filing shall be submitted to the Commission, the Department of Public Service, the Residential Utilities Division of the Office of the Attorney General, Northwestern Bell Telephone Company, AT&T Communications and any party to this proceeding which requests a copy by June 2, 1988.

17. Local exchange carriers without a Minnesota exchange, but serving Minnesota subscribers, are permitted to use the respective intrastate access rates each charges in the exchange serving the Minnesota subscribers. One copy of those access rates shall be filed with the Commission by June 2, 1988.

18. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)